

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 NEA-10 IO-11 ISO-00 STRE-00 FEA-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /114 W

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R 111345Z MAR 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 8661

INFO AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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PASS STR FOR MIKE SMITH

EO 11652: N/A

TAGS: GATT ETRD

SUBJECT: TEXTILES: EC-PAKISTAN DISPUTE ON EC PHASE-OUT PROGRAM

REF: (A) GENEVA 1704, (B) STATE 053194, (C) GENEVA 1600

1. MEYNELL, ACCOMPANIED BY SUTTON, ARRIVED GENEVA LATE MORNING MAR 8 (REF A) TO ATTEND PRIVATE WORKING LUNCH WITH PAK DEL HOSTED BY TSB CHAIRMAN WURTH WITH TALKS TO CONTINUE INTO AFTERNOON. RESULT THIS AND OTHER COMMITMENTS, MEYNELL ASKED DEFERMENT MAR 8 MEETING WITH US REP AND SUGGESTED WE MEET FOR BREAKFAST HIS HOTEL MAR 9 WHICH WAS AGREED. SUTTON WAS ALSO PRESENT.

2. MUCH OF CONVERSATION WAS DEVOTED TO EC'S IMMEDIATE PROBLEMS
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WITH PAKISTAN WITH MEYNELL GIVING FULL ACCOUNT OF TALKS

WITH PAK DEL WHICH, IN ALL RESPECTS, COINCIDED WITH ACCOUNT GIVEN US REP PREVIOUS EVENING BY WURTH. MEYNELL SAID HE HAD UNDERSTOOD WHEN TALKS WERE ARRANGED (BY WURTH) SCENARIO TO BE THAT WURTH LUNCH WITH PAK AMB WOULD PROVIDE OPPORTUNITY EC AND PAK REPS TO SHIFT EC-PAK DISPUTE OVER "PRINCIPLE" OF EC PHASE-OUT PROGRAM TO DISCUSSION OF POSSIBLE PRAGMATIC SOLUTION OF A BILATERAL PROBLEM. MEYNELL SAID HE HAD BEEN PREPARED TO OFFER SUBSTANTIAL MODIFICATIONS OF PHASE OUT PROGRAM WHICH HE AND COLLEAGUES HAD BELIEVED WOULD SOLVE ANY REAL TRADE PROBLEMS ARISING FROM EC PROGRAM.

3. AFTER LENGTHY "FENCING" PROCESS BETWEEN MEYNELL AND PAK AMB, IT BECAME CLEAR THAT PAK REP'S INSTRUCTIONS REMAINED FIXED ON "PRINCIPLE"; I.E., THAT EC PROGRAM WAS ILLEGAL UNDER MFA AND HAD TO BE TERMINATED AS PRECONDITION ANY SEARCH FOR PRAGMATIC RESOLUTION TRADE PROBLEMS IN ITEMS COVERED IN PHASE-OUT. PAK REP, ACCORDING MEYNELL, REMAINED UNMOVED BY MEYNELL'S FULL AND FRANK EXPOSITION OF POLITICAL AND ECONOMIC PROBLEMS (ALL OF UK ORIGIN) WHICH HAD FORCED COMMISSION TO INSTITUTE PROGRAM. PAK REP SAID, IN CONCLUSION, THAT ALL HE COULD DO WAS REPORT DISCUSSION TO ISLAMABAD AND AWAIT FURTHER INSTRUCTIONS WHICH, IN CIRCUMSTANCES, PROBABLY WOULD NOT CHANGE PAK POSITION. THERE MATTER STANDS.

4. US REP RECOUNTED TO MEYNELL (FOR THE THIRD OR FOURTH TIME) THE SERIOUS DIFFICULTIES THIS DISPUTE POSED FOR THE FUTURE OF MFA, PARTICULARLY AT A TIME WHEN PARTICIPANTS WERE BEGINNING CONSIDER WHETHER EXTEND, AMEND OR TERMINATE THE ARRANGEMENT. MEYNELL REPLIED THAT HE AND EC COLLEAGUES PERFECTLY UNDERSTOOD THE SERIOUSNESS OF THE UNRESOLVED DISPUTE AND, FURTHER, IF IT CAME TO POINT CONFRONTATION IN TSB, HE UNDER NO ILLUSIONS HOW THAT WOULD COME OUT. SAID THAT PHASE-OUT PROGRAM WAS FORCED ON COMMUNITY BY UK (SUPPORTED BY FRANCE) AND ACCEPTED BY COMMISSION AS LEAST HARMFUL ALTERNATIVE TO MUCH WIDER UNILATERAL TEXTILE ACTION BY UK GOVERNMENT IN DEC 1975 WHICH WOULD HAVE HAD MOST SERIOUS INTERNAL CONSEQUENCES LIMITED OFFICIAL USE

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FOR EC. UK, ACCORDING MEYNELL, HAS NO ART 3 CASE WHATSOEVER FOR ITEMS INCLUDED IN PHASE OUT AND THAT ANY ATTEMPT TO INVOKE ART 3 WOULD BE SIMPLY LUDICROUS TO PAKISTAN AND TO TSB IF BROUGHT BEFORE BODY. ADDED THAT, IN COMMISSION'S VIEW, MOST ITEMS IN FRENCH PHASE OUT COULD BE HANDLED UNDER ART 3 BUT THAT FRENCH WOULD NEVER AGREE THIS APPROACH AS LONG AS UK BENEFITED FROM PHASE OUT PROGRAM. SAID UK GOVERNMENT'S POLITICAL

AND PSYCHOLOGICAL NEED FOR PROGRAM SHOULD BE APPARENT TO ALL AND THEREFORE REASONS FOR UK'S UNWILLINGNESS TO TERMINATE IT.

5. US REP ASKED MEYNELL IF COMMISSION HAD CONSIDERED POSSIBILITY OF POLITICAL SOLUTION (PARA 5 REF C) AND MEYNELL REPLIED THAT THIS WAS NOW UNDER ACTIVE CONSIDERATION. SAID HE HAD DISCUSSED THIS POSSIBILITY WITH DAVID HANNAY FEW DAYS PREVIOUSLY WHO THOUGHT IT HAD MERIT AND SAID WOULD DISCUSS IT WITH SOAMES IN COURSE PREPARATIONS FOR LATTER'S PAKISTAN VISIT. MEYNELL SAID HE DIDN'T KNOW WHAT DECISION WOULD BE BUT WOULD CHECK IT AGAIN IMMEDIATELY UPON HIS RETURN TO BRUSSELS.

6. TSB CHAIRMAN INFORMED US REP AFTERNOON MARCH 9 THAT HE HAD BEEN VERY DISTURBED BY OUTCOME OF EC-PAK TALK AND HAD CONTACTED GATT DIR GEN LONG (PRESENTLY VISITING PAKISTAN) BY TELEPHONE EVENING MAR 8 AND HAD URGED LONG TO BRING UP PROBLEM AT HIGH LEVEL IN GOP. ACCORDING WURTH, LONG AGREED DO SO. RESULTS, IF ANY, NOT YET KNOWN TO WURTH.

7. BALANCE US REP-MEYNELL CONVERSATION DEALTH WITH MENYELL'S WASHINGTON TRIP (REF A) AND IS BEING REPORTED SEPTEL. DALE

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